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SUBJECT: OLMERT SHUFFLES THE KADIMA CARDS IN HIS CABINET

REF: A. TEL AVIV 214

B. 2005 TEL AVIV 6385

1. On January 18, Alternate PM Ehud Olmert's Cabinet approved the appointment of three Kadima ministers to fill the Foreign Affairs, Agriculture/Rural Development, Education and Health portfolios in his transitional government vacated following the January 15 resignation of four Likud ministers (Silvan Shalom, Yisrael Katz, Limor Livnat, and Dany Naveh, respectively - ref A). The Cabinet also redistributed the Housing/Construction, Science/Technology, Communications, National Infrastructure, and Environment portfolios vacated following the Labor Party withdrawal from Sharon's coalition government in November (Isaac Herzog, Matan Vilnai, Dalia Itzik, Binyamin Ben-Eliezer and Shalom Simhon, respectively).

Pursuant to the Basic Law governing the function of transitional governments and Knesset understandings, Olmert made his picks from among the Knesset members of his Kadima faction.

2. Kadima newcomers to ministerial posts include Sharon loyalists Ronnie Bar-On (National Infrastructure, Science/Technology), Ze'ev Boim (Housing/Construction, Agriculture/Rural Development) and Jacob Edery (Negev and Galilee Development, Health). Sharon had twice sought to appoint Bar-On and Boim (who has served as a Deputy Minister of Defense) to ministerial positions in 2005, but Likud rebels balked and blocked the appointments (ref B). Ultimately, Likud party failure to approve Sharon's appointment proved to be the proximate cause for Sharon's split from Likud and his formation of a new faction, Kadima. All three MKs were among those who followed Sharon from Likud to Kadima.

3. Olmert retains the Finance and Industry/Trade/Labor portfolios that he held before filling in for PM Sharon, and must manage the Interior and Social Welfare portfolios he has temporarily assumed as Alternate PM. The presence of Director-General Yossi Bachar insures the effective day-to-day management of the Finance Ministry. The impact of these appointments will be limited as Olmert's government will only remain in power through parliamentary elections scheduled for March 28, 2006. Even so, Olmert's decision to name Sharon loyalists to prominent posts is a good indicator of who will be in the upper echelons of the Kadima party list that he must submit before February 8. The winners coming out of this cabinet shuffle are clearly Tzipi Livni (already Immigrant Absorption, Justice and now Foreign Affairs - septel), Meir Sheetrit (already Transportation and now Education), Gideon Ezra (already Internal Security and now Environment) and Abraham Hirschson (already Tourism and now Communications) -- all of whom acquired major new portfolios in addition to their original posts.

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JONES